

Record Request DTE-1

Please explain why SEC allocation formula for gas acquisition and dispatch costs do not allocate costs to Essex.

Response

As Ms. Leary indicated at the hearing, the SEC allocation formulas were established following the merger in 2001. At that time, the Company anticipated that Essex would be merged into Boston Gas and would no longer exist as a separate corporate entity. The SEC performed an audit of the KeySpan corporate service allocations in 2002 and made no change to the Company's allocation formulas to account for Essex. Accordingly, no allocations of operations and maintenance expenses (including gas acquisition and storage) are made to Essex pursuant to the SEC-reviewed allocation formulas.